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ORIGIN TRSE-00

INFO OCT-01 EA-07 ISO-00 EB-07 H-02 L-03 SP-02 AID-05

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 /080 R

TX-387

DRAFTED BY TREAS:OASIA:EGORDON/BZINMAN:RL

APPROVED BY EB/IFD/ODF-JABWINDER

TREAS:OASIA:JABUSHNELL(SUBS)

TREAS:OS:EMEIGHIER (SUBS PARA.2)

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R 191530Z DEC 75

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

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E.O. 11652:

TAGS:

SUBJECT: STATUS REPORT ON U.S. LEGISLATION CONCERNING

-- IFC, IDB AND ADF

REF: A) TOKYO 17699; B) STATE 292804

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1. WE APPRECIATE GOJ'S DESIRE TO LOOK AT THE TOTAL FUND
REQUIREMENTS OF IFC, IBRD AND IDA AT THE SAME TIME.
HOWEVER, THE JAPANESE FAIL TO APPRECIATE THAT WHILE IFC

DOES NOT NEED CASH IN THE NEXT YEAR, (THE FIRST INSTALLMENT OF THE REPLENISHMENT WOULD BE DUE IN DECEMBER 1977), PROJECT PREPARATION AND PLANNING, PARTICULARLY WITH RESPECT TO EQUITY INVESTMENT, WILL HAVE TO BE CUT BACK BEGINNING FROM FY 1977, IF THE IFC HAS NOT RECEIVED THE ASSURANCE THAT IT WILL RECEIVE A CAPITAL INCREASE BY THAT TIME.

2. RE PROCEDURES, THE IFC HAS DISTRIBUTED A DRAFT RESOLUTION ON THE CAPITAL REPLENISHMENT AND WILL DISTRIBUTE, BEFORE CHRISTMAS, A TABLE OF COUNTRY SHARES. THE RESOLUTION DESCRIBES THE PROCEDURES A) FOR THE CAPITALIZATION OF RESERVES; B) THOSE BY WHICH A CAPITAL REPLENISHMENT WILL BE AUTHORIZED; AND C) THE SUBSCRIPTION

OF SHARES. AT THE JANUARY MEETING, IT IS OUR UNDERSTANDING THAT THE PARTICIPANTS WILL BE ASKED IF THEY WOULD BE PREPARED TO ACCEPT, WITHOUT RESERVATIONS, THE RESOLUTION WHEN IT COMES TO THE EXECUTIVE DIRECTORS TO BE SENT ON TO THEIR GOVERNMENTS WITH AN ACCOMPANYING REPORT RECOMMENDING APPROVAL. THE PURPOSE OF THE PROCEDURE IS TO PERMIT GOVERNORS TO VOTE AND COMMIT THEIR COUNTRIES, PRESUMABLY IN JAPAN AS IN THE U.S., ON THE BASIS OF LEGISLATIVE APPROVAL. THAT ACTION NEED NOT BE TAKEN UNTIL TOWARD THE END OF CY 1976. WE WOULD HOPE THAT, IN JANUARY, THE GOJ WOULD BE PREPARED TO ACCEPT THE RESOLUTION AND THE SHARE INDICATED IN THE TABLE ON THIS BASIS. YOU MIGHT POINT OUT THAT THE BRITISH HAVE TAKEN A MORE POSITIVE ATTITUDE TO PARTICIPATION MORE RECENTLY THAN THEY DISPLAYED IN PARIS.

3. THIS ACTION WOULD PERMIT THE NEGOTIATION TO BE COMPLETED AND ALLOW US TO SUBMIT AUTHORIZATION LEGISLATION TO THE HOUSE BANKING AND CURRENCY COMMITTEE IN FEBRUARY IN ORDER TO TRY AND PASS AUTHORIZATION LEGISLATION BEFORE THE FY 1977 BUDGET APPROPRIATION IS ACTED ON. MONEY FOR THE FIRST INSTALLMENT HAS BEEN REQUESTED AND APPROVED BY THE PRESIDENT IN THE FY 1977 BUDGET.

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4. RE THE STOCK DIVIDEND, THE PURPOSE OF DISTRIBUTION NOW IS TO BENEFIT EXISTING MEMBERS. AS A PARTICIPANT WHOSE SHARE IN IFC WILL BE SMALLER AT THE END OF THE REPLENISHMENT THAN IT IS NOW, IT IS IN THE U.S. INTEREST TO HAVE THE CAPITALIZATION OF RESERVES NOW RATHER THAN LATER. WE CALCULATE THAT THE FINAL U.S. SHARE AS NOW PROPOSED WOULD REQUIRE FOUR MILLION DOLLARS MORE IN PAID-IN CAPITAL THAN IFC IS NOW REQUESTING IF THERE WERE NO PRIOR DISTRIBUTION OF THE STOCK DIVIDEND. THE

JAPANESE, ON THE OTHER HAND, WHOSE SHARE WOULD RISE AS A RESULT OF REPLENISHMENT WOULD BENEFIT BY DELAY--PROBABLY BY ABOUT ONE MILLION DOLLARS IN SHARES. WE ARE NOT AWARE THAT ANY OTHER COUNTRY HAS OBJECTIONS. WHILE WE WOULD BE PREPARED TO BE HELPFUL ON PROCEDURAL CHANGES TO ACCOMMODATE JAPANESE LEGAL PROCESSES, WE COULD NOT SUPPORT A DELAY IN THE STOCK DIVIDEND.

5. RE PARA. 7, REFTEL A), LEGISLATIVE STATUS FOR AUTHORIZATION IDB RESOURCE REPLENISHMENT AND EXPANSION OF MEMBERSHIP IS CONTAINED IN REFTEL B). THE AMOUNT IN FY77 BUDGET FOR IDB AS FOLLOWS: 40 MILLION DOLLARS PAID IN FOR INTER-REGIONAL CAPITAL; 200 MILLION DOLLARS

FOR CALLABLE ORDINARY CAPITAL; AND 200 MILLION DOLLARS FOR FUND FOR SPECIAL OPERATIONS.

6. RE ADF REPLENISHMENT, THE FY77 BUDGET TO BE INTRODUCED IN JANUARY WILL CONTAIN 50 MILLION DOLLARS AS FIRST INSTALLMENT FOR FY 1977, PENDING DETERMINATION OF THE TOTAL LEVEL OF U.S. THREE-YEAR CONTRIBUTION. RE ADB ORDINARY CAPITAL REPLENISHMENT, THE EXECUTIVE BRANCH IS IN THE PROCESS OF WORKING OUT INTERAGENCY POSITION EXPECTED MID OR LATE JANUARY, AFTER WHICH WE PLAN TO CONSULT CONGRESS.

7. CONGRESSIONAL FLOOR ACTION ON FY 1976 IFI APPROPRIATIONS, WE BELIEVE WOULD NOT BE COMPLETED BEFORE FEBRUARY-MARCH 1976 AT THE EARLIEST. HEARINGS ON FY 1977 APPROPRIATIONS NOT LIKELY TO BEGIN UNTIL MARCH-APRIL 1976.

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8. IF THE SUBJECT OF IDA ARISES, YOU MAY SAY THAT THE U.S. MAINTAINS A CONTINUING COMMITMENT TO IDA BUT DOES HAVE TIMING COMPLICATIONS WITH FOURTH AND FIFTH REPLENISHMENT. WE CANNOT MAKE ANY FIRM COMMITMENT ON IDA V PRIOR TO FIRST APPROPRIATIONS FOR IDA IV EXPECTED IN FEBRUARY-MARCH. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CONTRIBUTIONS, PROGRESS REPORTS, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE299005
Document Source: CORE
Document Unique ID: 00
Drafter: OASIA:EGORDON/BZINMAN:RL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750442-0517
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751227/aaaaaxfp.tel
Line Count: 158
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 TOKYO 17699, 75 STATE 292804
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAY 2003 by MartinML>; APPROVED <24 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATUS REPORT ON U.S. LEGISLATION CONCERNING -- IFC, IDB AND ADF
TAGS: EFIN, EAID, JA, US, IFC, IBRD, ADF
To: TOKYO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006